

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4152-02
Bill No.: SB 907
Subject: Education, Elementary and Secondary; Education, Higher; Elementary and Secondary Education Department; Higher Education Department
Type: Original
Date: February 23, 2010

Bill Summary: This proposal creates the Early High School Graduation Scholarship Program for public high school students who graduate from high school early.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
General Revenue	(\$220,011)	(\$46,571)	(\$47,971)
Total Estimated Net Effect on General Revenue Fund	(\$220,011)	(\$46,571)	(\$47,971)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Early High School Graduation Scholarship Program Fund*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds*	\$0	\$0	\$0

* Offsetting Transfers In and Distributions are \$1,423,257 annually.

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
General Revenue	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	1 FTE	1 FTE	1 FTE

☒ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

According to officials from the **Office of Secretary of State (SOS)**, many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the proposal. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

According to officials from the **Department of Elementary and Secondary Education (DESE)**, a student eligible for this program that graduates early is counted in the Weighted Average Daily Attendance (ADA) of the school district they attended for the time in attendance as well as the time after they graduate. The amount of state aid that is generated by the student for the period of time after graduation is placed by DESE in the Early High School Graduation Scholarship Fund. There will be some cost to the state because these students would have had their attendance stopped upon graduation and as a result would generate less state aid. The cost to the state will be this half year of state aid that otherwise would not have been paid. Due to lack of data there is no way to accurately estimate the increased cost.

Officials from the **Department of Higher Education (DHE)** assume that the incentive created by this program would result in no significant net gain or loss in the state's general revenue for the grants provided pursuant to this program. Without this program, funds would be appropriated to the school district for a student's last year of high school. With this program, and the incentive it provides for students to graduate from high school early, the same amount of funds would be used to provide a grant to the early-graduating student and the school district from which they graduated.

DHE assumes that it would have to reprogram the software it uses to administer financial aid programs, FAMOUS, to include this new program. The cost of reprogramming FAMOUS is estimated to be approximately \$175,000 and is a one-time expense. The DHE assumes that funds for this reprogramming would be appropriated to DHE rather than to OAITSD.

DHE would be required to determine which students and institutions meet the statutory definitions and criteria regarding eligibility, determine award amounts, and make grants to

ASSUMPTION (continued)

students and the school districts from which they graduated. DHE would also be required to make determinations regarding students' request to defer their grants or extend their eligibility for grants, to annually report on the utilization of the new program, and to promote the program as described in the proposal. Finally, DHE would be required to promulgate rules for the new program's implementation and to facilitate the transfer of funds for the program. DHE assumes that they would hire a program specialist to perform the duties associated with the new program, and that the program specialist's starting salary would be at the low end of the UPC range.

Finally, DHE assumes that it would require approximately \$5,000 per year to provide information about this new program to potentially eligible students. This money would be spent on print publications, travel to college fairs and other events at which information about financial aid is presented, and other forms of outreach.

Oversight assumes travel and other forms for outreach are already being done by DHE and the only additional promotional costs would be to prepare a publication to be posted on the internet which should be a one time cost.

Based on additional information from DESE and DHE, **Oversight** makes the following assumptions regarding this proposal:

- The average amount of basic formula per weighted ADA for all school districts is \$3,643.
- The average of published in-state tuition and fees is \$11,583.
- The number of high school graduates in 2009 was 61,761; of those 63.3% entered a 2 or 4 year college or university. (39,095)
- The amount of each scholarship would be the lesser of 80% of the weighted ADA for one semester or tuition and fees for one semester. ($\$3,643 / 2 \times .80 = \$1,457$)
- The amount of the grant to the high school from which the student graduated from would be 20% of the weighted ADA for one semester. ($\$3,643 / 2 \times .20 = \364)
- Assuming 2% of high school graduates going on to college may graduate early, 782 students may be eligible for the program outlined in this proposed legislation.

ASSUMPTION (continued)

- Cost would be \$1,139,374 for scholarships to early graduating students and \$283,883 for grants to school districts. This would be a redirection of existing foundation formula funding.

Officials from the **Fair Grove School District** assume this proposal could impact funding for local public school districts.

Officials from the **Blue Springs School District** assume this proposed legislation would take thousands of dollars annually out of the foundation formula that would otherwise be used to fund the regular K-12 program.

Officials from the **Parkway School District** and **Francis Howell School District** state this proposal would have no fiscal impact on their respective districts.

Officials from the following colleges and universities anticipate no fiscal impact as a result of this proposed legislation: **Missouri State University; Linn State Technical College; East Central College; Truman State University; Metropolitan Community College.**

Officials from **Missouri Western University** responded, but not provide an estimate of fiscal impact.

Officials from the **University of Missouri** state this proposal would have a positive impact by providing an incentive for students to continue their education beyond high school. The effect is not possible to quantify since it cannot be predicted how many additional students would be attracted to study at the University of Missouri.

Officials from the Office of State Treasurer did not respond to requests for a fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
GENERAL REVENUE			
<u>Cost</u> - Department of Higher Education			
Personal Services (1 FTE)	(\$24,545)	(\$30,337)	(\$31,248)
Fringe Benefits	(\$12,871)	(\$15,909)	(\$16,386)
Equipment and Expense	(\$2,595)	(\$328)	(\$337)
Programming FAMOUS software	(\$175,000)	\$0	\$0
Publication Cost	(\$5,000)	\$0	\$0
	<u>(\$220,011)</u>	<u>(\$46,571)</u>	<u>(\$47,971)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$220,011)</u>	<u>(\$46,571)</u>	<u>(\$47,971)</u>
ESTIMATED NET CHANGE IN FTE - GENERAL REVENUE	1 FTE	1 FTE	1 FTE
EARLY HIGH SCHOOL GRADUATION SCHOLARSHIP PROGRAM FUND			
<u>Transfer In</u> - DESE - Scholarship program funding	\$1,139,374	\$1,139,374	\$1,139,374
<u>Transfer In</u> - DESE - Grant funding for certain high schools	\$283,883	\$283,883	(\$283,883)
<u>Distribution</u> - Scholarships	(\$1,139,374)	(\$1,139,374)	(\$1,139,374)
<u>Distribution</u> - Grants for certain high schools	<u>(\$283,883)</u>	<u>(\$283,883)</u>	<u>(\$283,883)</u>
ESTIMATED NET EFFECT ON EARLY HIGH SCHOOL GRADUATION SCHOLARSHIP PROGRAM FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This proposed legislation creates the "Early High School Graduation Scholarship Program," to be implemented and administered by the Department of Higher Education. The program will provide scholarships to students who graduate from public high school in Missouri in forty-one months or less. A student who graduates from high school in no more than forty-one months and meets other requirements as described in the act will be offered a scholarship in an amount equal to eighty percent of the state aid attributable to that student for the school district. The student's high school will be offered a grant in an amount equal to twenty percent of the state aid attributable to that student for the school district.

A student can use the scholarship for tuition, mandatory fees, or both, if attending a public institution of higher education in Missouri. If the student attends a private institution of higher education, the student can use the scholarship for tuition, mandatory fees, or both.

Any student who graduates from high school and receives a scholarship through this program will be included in the weighted average daily attendance of the school district from which the student graduated for the length of time it would have taken the student to complete high school had the student not graduated early. Any funds from this inclusion will be placed in the Early High School Graduation Scholarship Program Fund. These funds will be used to distribute scholarship and grants.

The Department of Higher Education must confirm the student's graduation and higher education enrollment with the high school and institution of higher education.

Each public high school must provide information about the scholarship program to students and include the number and type of credits necessary to meet the program's eligibility requirements and the appropriate order in which those courses must be earned.

By January 31, 2011, the Department of Higher Education, in cooperation with the Department of Elementary and Secondary Education, must prepare a publication about the program and post it on its website.

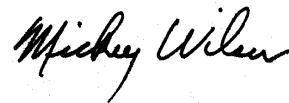
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Higher Education
Department of Elementary and Secondary Education
Office of Secretary of State
 Administrative Rules Division
Colleges and Universities
 Missouri State University
 Linn State Technical College
 East Central College
 Truman State University
 Metropolitan Community College
 Missouri Western University
 University of Missouri
School Districts
 Parkway
 Francis Howell
 Fair Grove
 Blue Springs

NOT RESPONDING

Office of State Treasurer

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
February 23, 2010